

The unequal impacts of Covid-19 on global garment supply chains

Research summary for UK policymakers and brands

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CONSORTIUM**

This is a research summary of the report *The unequal impacts of Covid-19 on global garment supply chains: Evidence from Honduras, India, Ethiopia and Myanmar* tailored for companies and government agencies and policymakers in the United Kingdom (UK). The research was developed and proposed by Professor Genevieve LeBaron of the University of Sheffield and Penelope Kyritsis at Worker Rights Consortium (WRC), and data collection and analysis were undertaken by the authors of this summary along with WRC in-country staff who are not named due to security considerations as per WRC policy. This research was funded by the Modern Slavery and Human Rights Policy and Evidence Centre (the Modern Slavery PEC), through the UK Arts and Humanities Research Council (AHRC). The views expressed in this report are those of the authors and not necessarily of the Modern Slavery PEC.

This study investigates how working and living conditions for workers in global garment supply chains feeding the UK market have changed during the Covid-19 pandemic. To do so, we conducted original cross-country comparative research between September 2020 and May 2021 on the pandemic's impact. We investigated how workers' job security, income, vulnerability to forced labour and indebtedness have evolved, both for those who have remained in their current jobs and those laid off during the pandemic, and how companies' varied responses to the pandemic shaped these patterns.

Key findings

- Garment workers' labour and living conditions have severely worsened during the pandemic; many are now in situations of severe economic hardship and experiencing heightened vulnerability to forced labour, as measured by the International Labour Organisation's forced labour indicators.
- Across all four of our case study countries (Honduras, India, Ethiopia and Myanmar), workers have experienced sharp declines in earnings and worsened working conditions. Many reported experiencing indicators of forced labour such as verbal abuse, threats and intimidation at work, and limits on their freedom of movement, which they had not experienced prior to the pandemic.
- These dynamics are evident for workers who have remained in the same jobs with no change in their employment status, as well for those who have had their contracts terminated amidst the pandemic and found new jobs, which tended to involve worse working conditions and lower pay.
- These patterns varied across case study country; individual-level factors such as age, gender, race and ethnicity, union affiliation, migration and employment status; and commercial dynamics in supply chains.
- Company responses to the pandemic have been highly influential in shaping these outcomes. In a handful of cases, company responses have protected workers and upheld decent work, such as through: the provision of direct cash support for workers; advance payments for suppliers; worker helplines and grievance systems with robust remediation; ensuring suppliers paid full wages and severance owed to workers; and flexibility with delivery times; and dialogue and open communication with suppliers.
- However, workers have been hit hard where companies responded by protecting cash flow and their bottom lines, such as by: cancelling orders; demanding discounts from suppliers; invoking *Force Majeure* clauses; refusing to pay for orders already produced; paying suppliers late; and severing communication with factories.

Data sources

Our research compiled a new primary dataset between September 2020 and April 2021, consisting of:

- A multi-country quantitative digital survey of 1,140 workers across 302 garment factories in India, Honduras, Ethiopia, and Myanmar,
- Interviews with 60 workers in India, Honduras, Ethiopia,
- 20 expert interviews, including with business, social compliance industry, and international organisation representatives,
- 2020/2021 annual financial statements and sustainability reports for 21 garment companies,
- Government information about pandemic business financing and assistance and social protection for Canada, Ethiopia, Honduras, India, Myanmar, US, and UK.

Our case study countries are priorities for the UK Government: India is a member of the Commonwealth; and Ethiopia and Myanmar are officially priority countries ('considered to be of high and moderate fragility') supported by UK Aid Direct.¹ Garment workers within these countries are also covered by corporate social responsibility programs and multi-stakeholder initiatives centred around decent work, fair wages, and equitable trade.

Workers reported producing garments sold by a number of high-street brands sold within the UK, including Primark, Next, H&M, Zara, Decathlon, Mothercare, and Nike (see Figure 1).² Many of these companies are covered under Section 54 of the 2015 UK Modern Slavery Act, which requires organisations with an annual turnover of £36million to publish an annual statement setting out what, if any, steps they are taking to address modern slavery and trafficking in their supply chains.

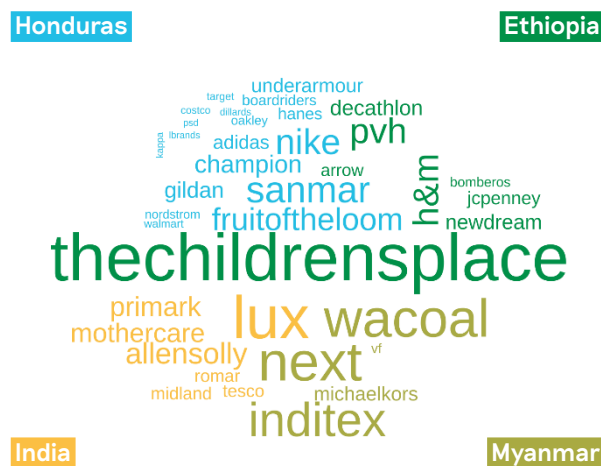


Figure 1. Brand names reported by survey respondents. The size of the brand name indicates the frequency with which it was mentioned by workers, and the colours reflect country name where it was mentioned, e.g. brands mentioned by workers in Honduras are blue, etc.

1. <https://www.ukaidirect.org/about/where-we-work/>

2. It is important to note that the list of apparel companies represented in Figure 1 is only a reflection of worker interviewees' responses. We therefore make no claims as to the absolute accuracy and completeness of information regarding which brands the factories covered in our research actually produce for.

Demographic overview of workers

Our survey sample of 1,140 respondents (referred to as “all workers”) consisted of 650 women garment workers (57%), 486 male garment workers (42.6%) and 4 workers that did not identify as men or women.

Nearly three-quarters of the workers in our survey (72%) were working at the same factory that employed them pre-pandemic (referred to as “workers at the same factory”). 17% were able to find another job (this group, alongside workers at the same factory are referred to as “current workers”), while just over 10% have been unable to secure new employment. Of those who are no longer in their pre-pandemic job, the majority (46%) were terminated permanently, while 40% resigned. A smaller subset of workers who lost their jobs in our sample (15%) were temporarily suspended with the understanding that they would be resuming work at the factory eventually.

Note on definitions

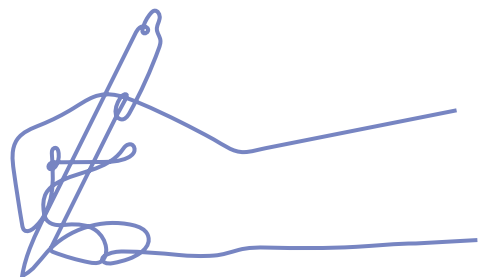
Forced labour is defined by the International Labour Organization’s Forced Labour Convention³ as: ‘all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.’

Forced and free labour are often represented in binary terms, where forced labour appears as a static category that is possible to draw a clear-cut line around. However, recent research on forced labour has established that in practice, forced labour is often difficult to isolate from lesser forms of labour exploitation. There is often considerable overlap between forced labour and so-called free labour and indicators of forced labour can be present even where exploitation does not quite meet the threshold of the ILO definition. It is therefore just as important to measure vulnerability to forced labour as it is to measure prevalence of forced labour itself.

In this study we apply a wide-angle lens to labour conditions that includes:

1. Metrics relevant to labour exploitation and unfair treatment (which are less severe than forced labour),
2. Metrics that capture ILO indicators of forced labour,⁴
3. Compound measures of vulnerability to forced labour (see Figure 2) that capture vulnerability across several metrics.

This enables us to understand the complexity of how patterns of forced labour and vulnerability to it have evolved during the pandemic, rather than merely undertaking a box ticking exercise of whether a worker is in a situation of forced labour or not.



3. https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C029

4. https://www.ilo.org/global/topics/forced-labour/publications/WCMS_203832/lang--en/index.htm

Key findings

Surge in unfair treatment and forced labour

Most current workers who responded to our survey reported several forms of unfair treatment and an overall deterioration of their working conditions during the pandemic.

Non-wage related issues raised by these workers included key indicators of forced labour: verbal abuse; physical abuse; intimidation; false promises from employers; gender-based and sexual harassment; violations of workers' freedom of association rights; limitations on movement, including restricted access to the toilet or water.

Levels of unfair treatment and key indicators of forced labour are high (see Table 1). Among the 1,019 current workers in our survey: 35% reported verbal abuse; 24% reported threats and/or intimidation; 22% reporting receiving unfair wage deductions; 19% reported restricted access to water and the toilet; and 39% reported a lack of PPE and social distancing. While PPE is a health and safety violation that wouldn't typically be included as an indicator of forced labour vulnerability, we note it here given the serious consequences of COVID-19 exposure, including death, and because in our interviews workers consistently noted they had complained about the lack of PPE and social distancing, and were made to work regardless.

Table 1: Proportions of current workers reporting forced labour indicators

Forced labour indicator	Count	Proportion
Lack of PPE and social distancing	399	39%
Verbal abuse	356	35%
Threats and/or intimidation	245	24%
Unfair wage deductions	224	22%
Restrictions (e.g. water, toilet)	196	19%
False promises	191	19%
Physical abuse	141	14%
Late wages	138	14%
Reduced employer-provided services	135	13%
Unfair charges	95	9%
Isolation	82	8%
Unpaid work	68	7%
Sexual abuse	47	5%
Gender discrimination	36	4%
Racial discrimination	24	2%

Note: A count of forced labour indicators among current workers. The 'proportion' is expressed as a percentage of current workers (out of 1,019).

The prevalence of indicators of forced labour varied between countries. Ethiopian workers reported the highest prevalence of forced labour indicators, followed by Myanmar, then Honduras, and finally India. Even when removing lack of PPE and social distancing as an indicator, 90% of Ethiopian workers reported at least one indicator of forced labour.

We found that a sizeable proportion of workers who stayed in the same factory are facing new forms of unfair treatment during the pandemic, as demonstrated by Figure 2 and Table 2. Figure 2 looks at workers who stayed in the same factory and experienced at least one indicator of forced labour, showing that the majority of these workers had no issues pre-pandemic, with the exception of Ethiopia. Table 2 shows that a significant proportion of workers reporting indicators of forced labour who stayed in the same factory, had not experienced these issues pre-pandemic. Of the workers staying in the same factory and reporting verbal abuse, 41% had not experienced this pre-pandemic; 48% of workers reporting unfair wage deductions had not experienced this pre-pandemic; and 28% reporting threats and/or intimidation had not experienced this pre-pandemic.⁵ Concerns about lack of social distancing and PPE to protect against exposure to Covid-19 were also surfaced frequently in our survey and interviews, which are unique to the pandemic.

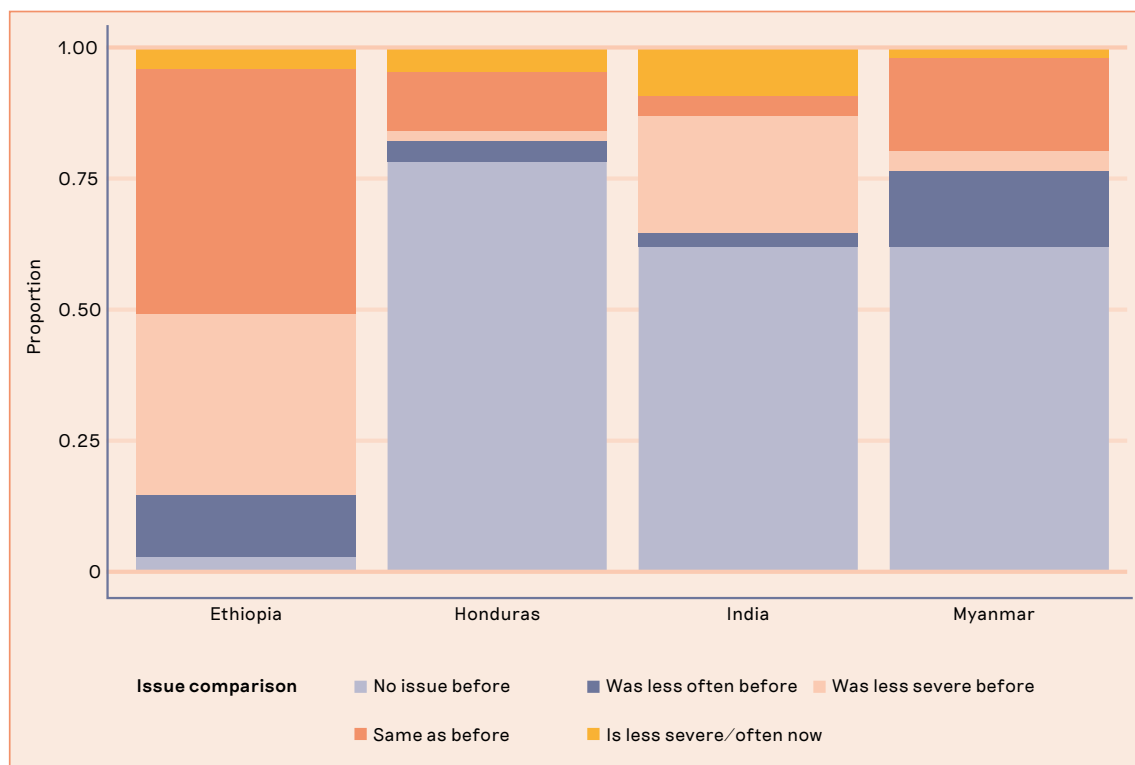


Figure 2. Comparison of forced labour indicators with pre-pandemic for workers who stayed in the same factories.⁶

5. The sub-sample for Table 2 is 'workers at the same factory', whereas for Table 1 it is current workers. As such, the percentages in this paragraph are workers at the same factory who reported an indicator and reported no indicators pre-pandemic, as a proportion of workers at the same factory who reported an indicator during the pandemic. See the note accompanying Table 2 for further detail.

6. Note: Displayed are workers who stayed in their pre-pandemic factory and experienced at least one indicator of forced labour (N= 554). Responses detail how indicators of forced labour have changed compared to pre-pandemic.

Table 2: Proportions of workers at the same factory reporting forced labour indicators

Forced labour indicator	Total count	Reported no forced labour indicators pre-pandemic - count	Proportion
Lack of PPE and social distancing	334	173	52%
Verbal abuse	298	122	41%
Threats and/or intimidation	222	63	28%
Unfair wage deductions	206	99	48%
Restrictions (e.g. water, toilet)	171	54	32%
False promises	170	45	26%
Physical abuse	128	32	25%
Late wages	120	46	38%
Reduced employer-provided services	119	36	30%
Restrictions on union rights	97	58	60%
Unfair charges	88	51	58%
Isolation	70	47	67%
Unpaid work	53	18	34%
Rehired on worse contract	52	35	67%
Sexual abuse	43	12	28%
Gender discrimination	33	12	36%
Racial discrimination	16	10	62%
ID withheld	4	2	50%

Table 2: Indicators of forced labour for workers at the same factory, who did not have any issues pre-pandemic. The 'proportion' in Table 2 is workers who reported an indicator during the pandemic and reported no indicators pre-pandemic, as a proportion of the total who reported an indicator during the pandemic i.e. the third column as a proportion of the second column. The sample is workers who stayed in a factory.

Workers articulate their own conditions

Our interviews with workers expound how indicators of forced labour have manifested during the pandemic. Workers described being subjected to or witnessing incidents of verbal abuse. A worker in Honduras noted, 'Discrimination and verbal abuse have always existed, but with the pandemic everything has gotten worse...now everything is worse.' Several workers also witnessed situations where their co-workers were physically abused. In Ethiopia, one worker told us that he saw a worker who was advocating for his right to annual leave. The worker, 'got hit and fired for asking for what is in his right.'

Workers also reported having witnessed instances of sexual and gender-based harassment. A worker in Ethiopia described a pattern of quid pro quo sexual harassment, noting: 'It is unfortunate to be a woman. If, for example, a worker causes something to go wrong in the production line, manager or supervisors leverage the opportunity to ask them out. If the worker declines, they lose their job.' A worker in Honduras told us that one of her colleagues was subjected to sexual harassment by a supervisor at the factory and reported the issue to factory's human resources department. She told us that while sexual harassment is not necessarily a new issue at the factory, in pre-pandemic times, the factory would typically fire or otherwise punish perpetrators of harassment, but that now there was no accountability.

Deteriorating pay for workers

Our research found that workers across all countries in our study are experiencing income loss. Amongst all current workers, average monthly incomes have fallen from a PPP-adjusted⁷ \$627.45 USD pre-pandemic to \$560.36 USD, an average loss of 11% (see Table 3). Workers explained that income loss was a result of several factors including: less opportunity for overtime; not being paid the appropriate overtime rate; unfair deductions from wages; unpaid work; late wages; severance pay theft for workers who have been terminated; and unpaid wages for workers who have been temporarily suspended.

	Amount (\$ USD PPP)
Mean pre-pandemic income	627.45
Mean current income	560.36
Mean income change	-67.09
Median income change	-19.32

Table 3. Average monthly income change among current workers

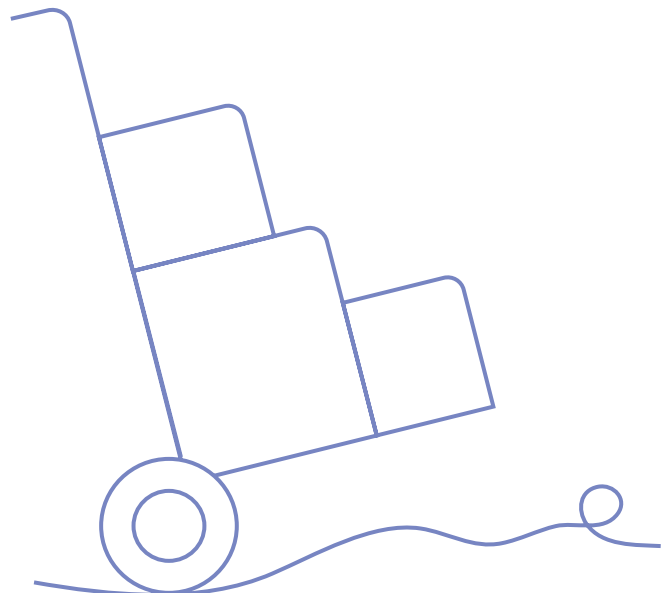
7. We report all monetary amounts in the study as US dollars converted to purchasing power parity (PPP). PPP is a conversion method that controls for price differentials between countries, effectively accounting for how far money goes in a workers' home country due to goods being comparatively cheaper or more expensive. To convert currencies, we used the 'PPP conversion factor, GDP (LCU per international \$)', produced by the World Bank's International Comparison Program, and used 2019 conversion factors as these are the most recently published. Conversion factors are available from the following repository (accessed 10 May 2021): <https://data.worldbank.org/indicator/PA.NUS.PPP>.

Business response

Garment multi-national corporations, including major fashion brands and retailers, at the helm of supply chains have experienced varied commercial outcomes amidst the pandemic, with some losing profits compared to earlier years, and others reaching historic highs in sales and cash positions.

Our interviews with industry representatives revealed varied responses by the garment companies. A small handful of garment companies responded in ways that upheld social responsibility; these often owned factories directly or had highly concentrated supply bases, which incentivised these firms to protect those parts of their business and their longstanding commercial relationships. These companies' responses to protect workers and uphold their corporate social responsibility commitments included: the use of digital payroll to provide direct cash support for workers; cash support and advance payments for suppliers; worker helplines and grievance systems; where factory closures occurred, ensuring suppliers paid full wages and severance owed to workers; level-loading, wherein orders from the future were placed early to keep a base level of operations and income going for the factories; mandating supplier cooperation with unions and worker representatives in planning factory responses; flexibility with delivery times; and keeping an open dialogue and communication with suppliers.

However, the dominant company response to the pandemic was to shift potential for losses onto suppliers and workers by cancelling contracts, refusing to pay for orders already produced, and curtailing communication with suppliers about these matters and when or how business might resume. Our interviewees explained that particularly during the early stage of the pandemic, prevailing business responses unleashed a domino effect along supply chains, causing suppliers to close temporarily or indefinitely and triggering many of the changes in working conditions documented above. Some companies have sought to repair the early damage during the mid-period of the pandemic—including through cash support and advance payments for suppliers, level-loading and flexibility with delivery times—but substantial challenges remain.



Recommendations

Multiple actors have responsibility for addressing the impact of the pandemic on working conditions. For the purposes of this research summary, we have highlighted recommendations specifically for the UK Government and companies.

Recommendations for the UK Government

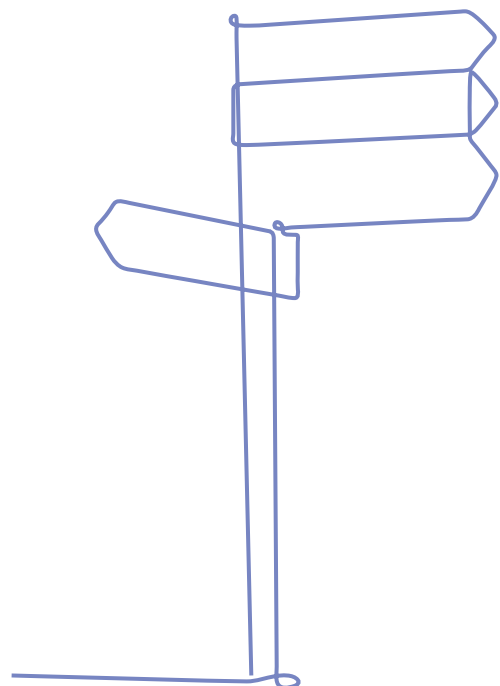
The UK Government has longstanding commitments to human rights and labour standards through United Nations conventions, trade agreements, and other governance mechanisms. It is also deeply committed to combatting forced labour in global supply chains and to ensuring that garment multi-national corporations headquartered in the UK and operating in the UK uphold relevant labour standards. To uphold those commitments and obligations, we recommend that the UK Government:

- **Strongly encourage garment companies to:**
 - Report on their pandemic responses and impacts on suppliers and workers in their supply chains, as part of reporting under section 54 of the Modern Slavery Act, detailing how they have protected supply chain workers from forced labour during the pandemic.
 - Provide immediate cash support to suppliers and workers,
 - Reduce commercial pressure on suppliers and alter commercial practices that increase risk of forced labour and overlapping forms of exploitation in supply chains. The UK Government has announced plans to mandate specific areas that companies in scope of section 54 must report on and this research highlights the value of mandating meaningful and consistent reporting on purchasing practices, wages, and the specific forms of worker vulnerability prevalent in their supply chains. This must include downward forms of value redistribution in supply chains,
- **Where garment firms have received public, taxpayer support during the pandemic, the UK Government should be especially diligent in ensuring that companies have not used these funds to contribute to their profits, executive compensation, and shareholder dividends while supply chain workers have experienced economic hardship.**
- **Make use of all available government levers to price forced labour-made goods out of the marketplace, such as:**
 - Making below-cost sourcing and selling illegal,
 - Ensuring that increased trade is not at the expense of labour rights by ensuring that free trade agreements currently being negotiated by the UK Government include a strong focus on fair treatment of workers,
 - Consider introducing forced labour import bans to prohibit import of goods made with forced labour.

Recommendations for companies

Garment companies have longstanding commitments to human rights and labour standards, expressed in their social responsibility reports, modern slavery statements, and through non-financial reporting. To uphold these commitments and obligations, we recommend that garment companies:

- **Report on their pandemic responses and how these impacted on suppliers and workers in their supply chains, as part of reporting under section 54 of the Modern Slavery Act, detailing how they have protected supply chain workers from forced labour during the pandemic,**
- **Take actions which this research identified as good practice for companies to protect workers and uphold decent work during the pandemic, such as providing immediate cash support to suppliers and workers and dialogue and open communication with suppliers,**
- **Disclose how much taxpayer money they obtained and ensure this funding was not used to contribute to profits, executive compensation, and shareholder dividends while supply chain workers have experienced economic hardship,**
- **Evolve and innovate their business models including by reducing commercial pressure on their suppliers and alter commercial practices that increase risk of forced labour and overlapping forms of exploitation, including sourcing below the true costs of production, certain forms of outsourcing, and failing to benchmark labour costs and relevant wage standards into purchasing decisions and contracts.**



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